

U2.16 - Print & Cut Flashcards

Cut along the card edges. Each card shows the question on top and the answer underneath.

CARD 1

What is the overall purpose of financial reports?

To organise financial information so a business can understand its financial position and performance and make better decisions.

CARD 2

What does a balance sheet show?

What a business owns, what it owes and the owner's equity at a particular point in time.

CARD 3

What is the accounting equation?

$\text{Assets} = \text{Liabilities} + \text{Equity}$.

CARD 4

What is working capital?

$\text{Current Assets} - \text{Current Liabilities}$. It shows the business's short-term financial position.

CARD 5

What is the difference between current and non-current assets?

Current assets are expected to be used or converted to cash within 12 months; non-current assets are held for longer.

CARD 6

What is the difference between current and non-current liabilities?

Current liabilities are due within 12 months; non-current liabilities are due after more than 12 months.

CARD 7

What does a profit and loss statement show?

Income, expenses and the final profit or loss of a business over a period of time.

CARD 8

What is income / revenue?

Money earned by the business from sales or services.

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CARD 9

What is cost of goods sold (COGS)?

The direct cost of the goods sold, such as stock purchases, direct freight or direct materials.

CARD 10

What are expenses?

The costs of running the business, such as rent, wages, advertising, electricity and insurance.

CARD 11

How is gross profit calculated?

$\text{Gross Profit} = \text{Sales} - \text{Cost of Goods Sold}.$

CARD 12

How is net profit calculated?

$\text{Net Profit} = \text{Gross Profit} - \text{Expenses}.$

CARD 13

What is a budget?

A financial plan for the future based on estimates of expected income, expenses, cash needs or financial position.

CARD 14

What are the three budget types in this dotpoint?

Budgeted balance sheet, budgeted profit and loss statement, and budgeted cash flow statement.

CARD 15

Why compare a budget with actual results?

To identify differences between expected and actual performance and decide whether corrective action is needed.